

## LITHUANIA

Capital: Vilnius

GDP per capita (PPP): \$7,300 (2000 est.)

Population: 3,610,535 (July 2001 est.)

Foreign Direct Investment: \$355,000,000

Inflation: 1% (2000 est.)

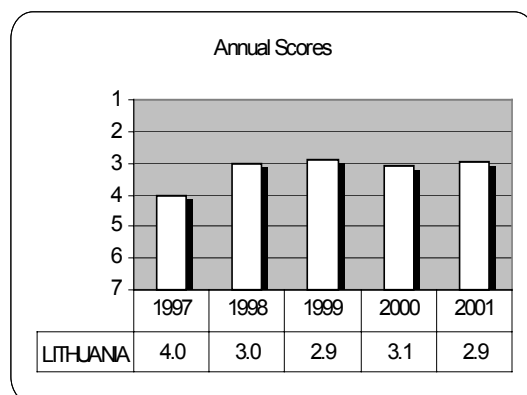
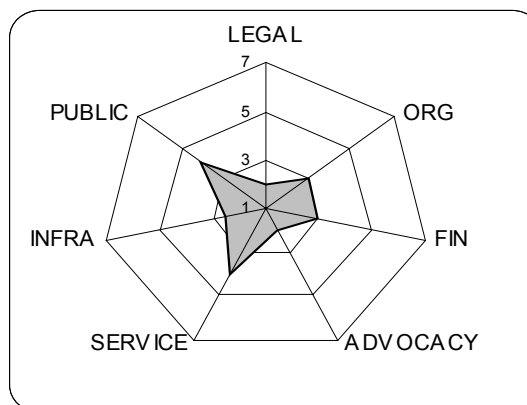
Unemployment: 10.8% (2000)

**OVERALL DESCRIPTION: 2.9**

There are approximately 7,000 active NGOs in Lithuania. The basic legal and capacity building framework for the development of a healthy and sustainable NGO sector has been established.

NGOs continue to strengthen their organizational capacity and have access to a mature NGO infrastructure which has helped them to increase the scope and quality of their services. Intersectoral partnerships have started to form and NGOs are becoming more conscientious of their constituencies and their relationship with the government.

Much work, however, remains to be done. Financial sustainability is still a major constraint. Local financial resources for NGOs are sparse, and many NGOs still rely on a narrow base of funding.

**LEGAL ENVIRONMENT: 2.0**

Lithuanian law recognizes four separate types of NGOs: membership-based societal organizations and associations; and property-based public institutions and charity and support foundations.

Registering an NGO is a straightforward, transparent process throughout the country. The dissolution and liquidation of an NGO is provided for in the law, but remains administratively difficult to implement. A large number of "inactive" NGOs may in fact be organizations that have chosen to discontinue

their activities, but due to the bureaucratic process involved in the liquidation of the organization have not resolved their status legally. Overall, the laws that regulate the NGO sector clearly state the scope of permissible activities for each type of NGO and establish basic procedures for internal management and financial reporting. The law protects NGOs from unwanted state interference.

Only public institutions are legally allowed to participate directly in commer

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cial activities. Societal organizations, associations, and charity and support foundations may establish subsidiaries to carry out income-generating activities. In practice, however, the distinction between non-profit commercial activities and for-profit activities is unclear, making it difficult to reach a consensus regarding which commercial activities NGO are allowed to implement.

NGOs are not subject to taxes on donations, but revenue earned from commercial activity is taxed at the same rate as for-profit entities. Commercial activities of registered public institutions, however, are taxed at a preferential rate of 5%.

Individuals and corporations may deduct financial and in-kind donations to NGOs from their income taxes — up to 15% and 40%, respectively. While income tax deductions are provided for in the law, the administrative process necessary to declare such deductions is cumbersome and not clearly established.

Local legal capacity has improved slightly. The number of lawyers familiar with NGO law has increased, and courses on NGO law are more widely available in universities. In larger cities, NGOs are generally able to access qualified advice from legal professionals, but they remain prohibitively expensive for most NGOs.

### ORGANIZATIONAL CAPACITY: 3.0

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Organizational capacity and management skills among Lithuanian NGOs have steadily improved. Increasing numbers of NGOs understand that efficient project administration and good management will be key factors in achieving their mission. Well-organized internal management structures that clearly state staff responsibilities, follow established procurement guidelines and set regular planning meetings are becoming more common in Lithuanian NGOs. Leading NGOs have permanent paid staff and are recruiting and making use of volunteers. Many NGOs have, or have recognized the need for, a clearly defined mission statement. This is especially true among the newer generation of NGOs. Most Lithuanian NGOs have received strategic planning training, but uncertainties about Lithuania's long-term economic performance limit most planning time horizons to two to three years.

NGOs have made noteworthy progress in constituency building, and the visibility of NGO work among the Lithuanian public has increased. NGOs more regularly communicate with their local constituencies through local media channels (e.g. local newspapers, newsletters), varied fundraising events, and by involving local stakeholders in project activities. Regional NGOs, whose activities often address a range of community problems, have begun to focus more on constituency building initiatives.

The lack of fully functioning boards of Directors remains a serious constraint for most NGOs. Of the NGO boards that do exist, most staff and board representatives have limited understanding of board roles and responsibilities or their effect on the organization's sustainability.

### FINANCIAL VIABILITY: 3.0

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The limited financial viability of Lithuanian NGOs continues to threaten the long-term sustainability of the sector. Government and international funding sources have continued to decrease over the past year, with many grant-making agencies scaling back their presence in the Baltic States. Local funding sources remain sparse and vary significantly by region. However, NGOs do manage to raise some support from local contributions. Such support provides NGOs with only short-term viability and consists mostly of voluntary, monetary and in-kind assistance.

NGOs earn little revenue to supplement income from products and services. Lithuanian law permits only one type of organization to have commercial activities. This limitation restricts approximately half of Lithuania's NGOs from engaging

in such activities. As a result of legal limitations on NGO commercial activities, most support from government, business and other sources is provided under grant agreement rather than under a contract for services.

A culture of local philanthropy is slowly developing, with leading NGOs turning to business and government to raise interest in and demonstrate the benefits of giving. NGOs have realized the need to expand fundraising strategies to focus more on local fundraising efforts. Some NGOs raise funds from membership fees or local constituencies, but such amounts are largely symbolic. As a result, NGOs continue to suffer from a lack of diversity in funding sources. Most organizations are dependent on a narrow base of primary donors.

### ADVOCACY: 2.0

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Advocacy still remains an abstract concept for many NGOs, despite the fact that the necessary channels of communication and political access at national and local levels all exist to make effective advocacy campaigns possible. The fact that advocacy activities are infrequent constrains legal reform and restricts important policy dialogue that would benefit the constituencies that NGOs represent.

In 1998, much excitement surrounded the first legislative open hearing in Parliament concerning the Law on Charity and Sponsorship. NGO coalitions and interest group associations began to form close contacts at the municipal level. Unfortunately, the momentum gained during this period was not fully taken advantage of and advocacy efforts have stagnated. Much of the difficulty lies in the organizational capacity of existing NGO coalitions

and associations. Partnerships are often formed for reasons of convenience, with less attention paid to the strategic advantage of such relationships. In the absence of a clear strategy, it is difficult for these organizations to produce a clear set of objectives that adequately represents the majority of interests among their members.

NGO advocacy capacity is also constrained by a narrow perception of lobbying activities. Lobbying still carries a negative stigma and many organizations view the activity as the pursuit of financial interests, rather than a dialogue to promote specific changes in policy or legislation. Several specialized NGOs (based in larger cities) follow legal reform issues and disseminate this information broadly to the NGO community. Local advocacy for legal reform is less frequent as most

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regional NGOs perceive effecting legal

reform as beyond their capacities.

### SERVICE PROVISION: 4.0

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NGO goods and services now include basic social services, economic development and environmental services. The increasing demand for diversified services indicates that NGOs are able to meet the general needs of their constituencies, as well as produce specialized goods and services that meet the needs of subgroups within their communities. Leading NGOs have expanded their services to meet the needs of clients beyond their own membership, serving business, academic and government clients.

Government contracting to NGOs

remains uncommon. While existing legislation does allow NGOs to bid for government contracts, the process is complicated and many NGOs do not take advantage of such opportunities. Few organizations recover their costs of goods and services. This is primarily due to the limited purchasing power of their clients and a predominant culture that equates non-profit services with services that are "free-of-charge." Most municipalities allocate some budget resources for NGOs, but these amounts vary substantially from region to region.

### INFRASTRUCTURE: 2.5

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NGO resource centers and intermediary support organizations (ISOs) exist in most large cities. In smaller regional centers, local government institutions are better prepared to assist NGOs with administrative issues and technical assistance. It is now common for municipalities to appoint an officer responsible for local NGO concerns. Where local agencies cannot meet the needs of NGOs, larger resource centers provide adequate technical, training and technology assistance.

Increased access to information technology has made information and training materials widely available on the Internet. As the number of NGO support centers has grown, so too has the number of qualified NGO management trainers. Training is now readily available on a va-

riety of general NGO topics including advanced skills such as: strategic planning, board development, project design and management, financial management, and fundraising. The increased supply of NGO trainers has made it cost-effective to organize training events outside major cities to serve the needs of NGOs in regional communities. Training literature is available in the local language.

Intersectoral partnerships have begun to emerge, involving NGOs, local businesses and government. Partnership efforts focus on efficient allocation of local resources in addressing community development problems. Successful initiatives have founded small community foundations and resulted in joint projects implemented in partnership with NGOs.

### **PUBLIC IMAGE: 4.0**

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Media coverage of NGO activities in both national and local press has increased the visibility of NGOs with varied results. The media has made more government officials aware of NGO initiatives, and their value as partners. Media attention has also helped reduce public misconceptions about the role of NGOs. But misunderstandings in the press continue to occur, sometimes to the detriment of the sector's image. One very positive development that has helped increase public understanding of NGO activities has been a weekly broadcast about NGOs aired on Lithuanian National Radio.

Many NGOs lack public relations skills, and are unable to receive credit for their successes because of inadequate media contacts or because of poorly organized public relations efforts. Training in the organization of events and writing press releases is needed to better promote the sector's public image.

To date, an accepted code of ethics does not exist in Lithuania. Transparency within the sector is improving, but increased cooperation among NGOs to demonstrate a more open means of conducting business is needed.